

How would recent events affect your financial investments?

FIND ANSWERS ON THE ARM WEEKLY COMMENTARY AND STOCK RECOMMENDATION

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Weekly Commentary & Stock recommendation

...for the week 19th July - 23rd July 2021

Global Economy

- ◆ Earlier in the week, OPEC and its allies crucially agreed to boost oil supply from August 2021 while extending their production cuts till the end of 2022, leaving room for maneuver in case global recovery stalls amid an upsurge in COVID-19 variants. The group will increase supply by an additional 2 million bpd or 400,000 bpd a month from August, with plans to fully phase out production cuts by September 2022. Furthermore, to overcome the initial disagreement, the cartel agreed new output quotas for several members from May 2022, including the UAE, Saudi Arabia, Russia and Kuwait. In Europe, the European Central Bank (ECB) left its key monetary policy rates unchanged during its July meeting but revised its forward guidance on interest rates, underlining the bank's commitment to maintain an accommodative policy stance to meet its inflation target. Policy makers now expect rates to remain at their present or lower levels until inflation reaches the 2% target (i) well ahead of the end of the bank's projection horizon and (ii) durably for the rest of the projection horizon which ranges between 2-3 years. With regards to the general economy of the zone, the bank expects economic activity to return to its pre-pandemic levels in the first quarter of next year, but the outlook continues to depend on the course of the pandemic and progress on the vaccination front .

Domestic Economy

- ◆ Dangote Cement's six million metric tonnes per annum factory with an estimated cost of \$1 billion is completed and set for commissioning at Edo state. According to a statement from the company, the plant, sitting on 1000-hectare land is billed to boost cement production in the state which aligns with the Governor Godwin Obaseki-led administration's plan to diversify the state's economy and attract investment into its productive sector. Elsewhere, at a press briefing in Abuja on Thursday to announce the 2021 Diaspora Day celebration scheduled for July 25th 2021, the Chairman, Nigerians in Diaspora Commission, Abike Dabiri-Erewa, said the home remittances were over 83% of the national budget and 6.1% of the GDP. The Federal Govt also said that the COVID-19 pandemic has wiped off 20% from the \$25 billion annual diaspora remittances to Nigeria. Elsewhere, The Debt Management Office (DMO) held its monthly auction of FGN bonds on Monday. It offered its regular ₦150 billion, raised ₦138 billion (\$340 million) and secured a total bid of ₦286 billion. It offered ten, 20 and 30-year benchmarks, all different re-issuances and the set menu through Q3:2021 per its calendar .

Equities and stock recommendation

- ◆ The Nigerian equities market closed the week on a positive note, up 0.21% on the day and 1.90% for the week, following gains in all three trading sessions of the week. Gains were majorly supported by DANGCEM (+7.83%) as investors position ahead of the proposed share buyback and Q2'21 earnings release. Other gainers include TOTAL (+20.95%), OANDO (+20.67%), UNILEVER (+9.58%) and FBNH(+2.74%) while AIICO (-7.83%), ETI (-3.77%), UBN (+2.68%) and STERLNBANK (-2.56%) topped the losers' chart. Sectoral performance was broadly positive during the week with Oil & Gas (+9.14%) emerging as the best performing sector followed by Personal Care (+5.93%), Cement (+4.90%), Banking (+0.61%), Brewers (+0.57%), Food (+0.28%) and Insurance (+0.18%).
- ◆ **ZENITH - STRONG BUY (FVE: ₦30.20), ACCESS - STRONG BUY (FVE: ₦12.92), UBA PLC- STRONG BUY (FVE: ₦12.18) and WAPCO - STRONG BUY (FVE: ₦28.61). Click [here](#) for our Weekly Stock Recommendation .**

Fixed Income

- ◆ In the secondary market, the average fixed income yield ended the week 7bps higher to settle at 9.33%, spurred by a rise in NTB yields. For context, upward pressures in the 182-Day (+160bps) and 270-Day (+39bps) bills led the average NTB yield up 21bps to 6.90% while the average bond yield edged down 9bps WoW to 11.75%, reflecting declines in the mid-to-long-dated instruments, specifically the Mar-2027 (-12bps) and Jul-2034 (-39bps) papers .

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	33.17	33.10	0.21%	-14.05%	
USD/NGN (₦/\$)					
NAFEX	412	411.2	-0.10%	-11.45%	
Parallel	499.0	502.5	0.70%	-27.86%	
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2021 Avg.	
Inflation YoY (June 2021)			CHG (pps)		
Headline	17.75	17.93	-0.18	17.63	
Core	13.09	13.15	-0.06	12.65	
Food	21.83	22.28	-0.45	22.023333	
GDP (%) - YoY	Q1 21	Q4 20	Q3 20	FY20	
Real GDP	0.51	0.11	-3.62	-1.9	News Headline for the week (click news for link)
Oil	-2.21	-19.8	-13.9	-8.9	*CBN Targets October for Digital Currency Launch
Agriculture	2.3	3.4	1.4	2.2	*Embedded as a risk, new COVID cycle could challenge Fed, recovery
Manufacturing	3.4	-1.5	-1.5	-2.8	*World Bank intensifies support for climate action in developing countries
Services	-0.4	1.3	-5.5	-2.2	*Republicans nix U.S. infrastructure debate, which could resume next week
Labor Data (%) - Q4 20			Latest	Prior	*How Nigeria can tap \$53trillion global ESG fund for oil projects
Unemployment Rate			33.3	27.1	*Nigeria's crude wobble as inventories keep volatility high
Underemployment			22.8	28.8	*Despite aggressive revenue drive, FG suffers N1.4tn shortfall
Capital Importation (\$'mn)	Q4 20	Q3 20	QoQ (%)	YoY (%)	*EIU Report: FG May Raise VAT to 15% Before 2025
Foreign Portfolio Investment - Equities	18.05	44.10	-59.1%	-94.9%	*NNPC Records 63% FAAC Remittance Shortfall in Five Months
Bonds	0.00	0.00		-100.0%	*U.S. consumer sentiment drops in early July on inflation fears
Money Market	17.10	363.15	-95.3%	-98.8%	*FG plans N12.3bn subsidy for two million farmers
Foreign Direct Investment	251.27	414.79	-39.42%	-8.4%	*Telecom sector depletes forex by \$10.8bn in five years
Balance of Payment (\$'mn)	Q4 19	Q3 19	Q2 19	QoQ	*CBN Restricts Sugar Importation to Dangote, BUA, FMN
Trade Balance	2,382	2,559	1,668	-6.9%	*NNPC Seeks \$1bn Alternative Funding for AKK Pipeline, Awaits Chinese Lending
CA Balance	(2,475)	(2,796)	(3,772)	-11.5%	*OPEC+ Resolves Impasse, to Boost Production by 400,000bpd

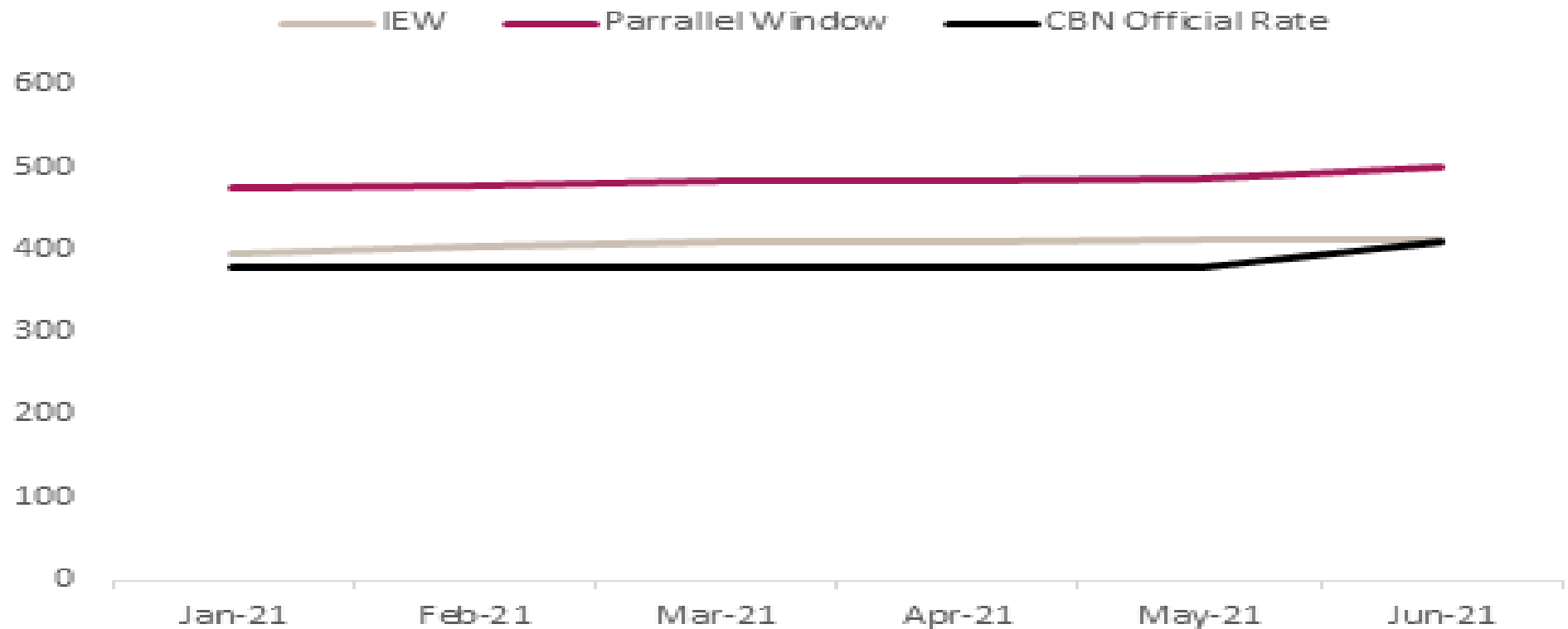
Source: CBN, NBS, FMDQ, Aboki FX, ARM Research

	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	90 Days	180 Days	1 Year	Issuance (N'billion)	90 Days	180 Days	1 Year
Money Market				OMO				OMO			
Overnight (O/N)	27.50%	4.75%	22.75%	17-Jun-21	7.00%	8.50%	10.10%	17-Jun-21	3.00	9.20	50.90
Open Buy Back (OBB)	28.75%	4.50%	24.25%	03-Jun-21	7.00%	8.50%	10.10%	03-Jun-21	4.00	8.78	49.04
NIBOR - 1M	13.01%	12.65%	0.36%	27-May-21	7.00%	7.00%	10.10%	27-May-21	3.00	3.00	30.00
NIBOR - 3M	14.09%	13.86%	0.23%	20-May-21	7.00%	8.50%	10.10%	20-May-21	2.00	2.50	10.00
NIBOR - 6M	14.91%	15.10%	-0.19%	06-May-21	7.00%	8.50%	10.10%	06-May-21	4.31	3.80	14.30
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	4.90%	4.75%	0.15%	14-Jul-21	2.50%	3.50%	8.67%	14-Jul-21	5.24	7.46	137.30
3-month	5.51%	5.56%	-0.05%	30-Jun-21	2.50%	3.50%	9.15%	30-Jun-21	2.26	3.31	158.04
6-month	6.83%	5.23%	1.60%	16-Jun-21	2.50%	3.50%	9.40%	16-Jun-21	1.61	1.10	27.87
9-month	8.31%	7.92%	0.39%	09-Jun-21	2.50%	3.50%	9.64%	09-Jun-21	5.06	10.94	164.11
12-month	8.87%	9.44%	-0.57%	26-May-21	2.50%	3.50%	9.65%	26-May-21	3.12	4.12	143.89
FGN Bonds (Local)				FGN Bonds	Mar-27	Mar-35	Jul-45	FGN Bonds	Mar-27	Mar-35	Jul-45
16.39% 27-JAN-2022	5.50%	5.55%	-0.05%	23-Jun-21	12.74%	13.50%	-	23-Jun-21	50.8	103.9	-
12.75% 27-APR-2023	10.98%	11.00%	-0.02%	19-May-21	13.10%	14.00%	-	19-May-21	20.1	41.2	-
14.20% 14-MAR-2024	11.08%	11.10%	-0.02%	21-Apr-21	12.25%	13.34%	13.85%	21-Apr-21	23.0	38.8	96.2
12.50% 22-JAN-2026	11.85%	12.02%	-0.17%	24-Mar-21	10.50%	11.50%	12.00%	24-Mar-21	44.0	86.3	131.8
16.2884% 17-MAR-2027	12.30%	12.42%	-0.12%	17-Feb-21	10.25%	11.25%	11.80%	17-Feb-21	85.6	98.9	18.0
12.1493% 18-JUL-2034	12.70%	13.09%	-0.39%	Corporate Bonds	This Week	Prior Week	WoW (%)	Corporate Eurobond	This Week	Prior Week	WoW (%)
16.2499% 18-APR-2037	13.14%	13.18%	-0.04%	MIXTA 17.00% 16-JAN-2022	6.61%	6.78%	-0.17%	ACCESS 10.50% 19-OCT-2021	2.95%	2.96%	-0.01%
14.8% 26-APR-2049	13.22%	13.24%	-0.02%	DUFIL 18.25% 1-SEP-2022	10.85%	11.39%	-0.54%	ZENITH 7.375% 30-MAY-2022	3.08%	3.08%	0.00%
				LAPO MFB 17.75% 19-DEC-2022	13.64%	13.94%	-0.30%	UBA 7.75% 08-JUN-2022	3.53%	3.49%	0.04%
FGN Eurobonds				STERLING 16.50% 3-AUG-2023	12.01%	12.03%	-0.02%	SEPLAT 9.25% 1-APR-2023	7.12%	7.12%	0.00%
5.625% 27-JUN-2022	1.79%	1.79%	0.00%	FCMB 17.25% 8-DEC-2023	12.41%	12.43%	-0.02%				
6.50% 28-Nov-2027	5.31%	5.27%	0.04%	ACCESS 15.50% 23-JUL-2026	14.69%	14.84%	-0.15%				
7.875% 16-FEB-2032	6.89%	6.84%	0.05%	VIATHAN 16.00% 14-DEC-2027	12.61%	12.74%	-0.13%				
7.625% 28-Nov-2047	7.55%	7.54%	0.01%	UNION 16.20% 27-JUN-2029	15.86%	15.88%	-0.02%				
				FIDELITY 8.50% 27-JAN-2031	13.57%	13.71%	-0.14%				

Source: DMO, FMDQ, Bloomberg, ARM Research

The Naira under the microscope

The Naira depreciated against the US dollar on Monday, 19th July 2021 to close at ₦411.67/\$1. This represents a ₦1.29 loss when compared to ₦410.38/\$1 that was recorded on Friday, 16th July 2021. The CBN devalued the official rate from ₦379/\$1 and adopted the NAFEX rate as its benchmark. The NAFEX rate has closed within the band of at ₦410 - ₦412/\$1 since the adjustment on the 11th of May 2021.



Source: CBN,FMDQ,ARM Research

Thank You



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